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SUBMISSION

Re

NATIONAL LOTTERIES IN CANADA

to the

ONTARIO COMMITTEE ON TAXATION

LANCELOT J. SMITH, F.C.A., Chairman
ERIC HARDY
DR. R. CRAIG McIVOR, F.R.S.C.
CARL A. POLLOCK
R. BREDIN STAPELLS, Q.C.

on behalf of

THE UNITED CHURCH OF CANADA

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I

Introduction and Summary of Arguments

The United Church of Canada has already identified itself with the Inter-Church Committee on Legal Affairs which presented a brief to this Committee on Wednesday, January 15th, 1964. We wish to reaffirm the views set forth in that submission re the exemption of Churches from provincial and municipal taxation.

We know that there is considerable pressure for national lotteries from certain groups and organizations within our country. There is the possibility that our federal and provincial governments might yield to such public pressure believing that this would be an easy method of raising revenues for worthy projects within the state.

The United Church, through the Executive of General Council (the highest court of our Church) has therefore asked us to prepare and present a further submission to this Committee on the subject of National Lotteries in Canada.

The United Church of Canada has consistently opposed gambling in any form, including legalized lotteries. We believe that good ends do not justify bad means and that finally bad means will corrupt the loftiest ends. We also believe that the position of government is not to foster human weakness, such as gambling which is a form of greed, but rather to curb such instincts. From our study of the history of lotteries we discover that invariably they have been harmful to the community, undermining the principles of a sound economic order and inviting criminal elements in society to flourish. From a religious viewpoint we believe that a stable government and economy must

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be based on solid moral foundations of trust, integrity, industry and the spirit of service. Gambling threatens these virtues.

The United Church of Canada in the Province of Ontario is composed of 1,235 pastoral charges, 2,285 preaching places, representing 567,350 members, with a total of 1,891,388 persons under pastoral oversight. The size of our denomination and the fact that we are represented in every part of the Province, both in urban and rural areas, places us in the position of being able to assess the needs of our people and express a cross-section of public opinion. Again we affirm that the General Council of our Church, our various Conferences (London, Toronto, Bay of Quinte) and our Presbyteries have expressed their strong opposition to National and Provincial Lotteries in Canada.

II

Historic Setting

To have even a general understanding of the lottery question, it is necessary to be informed about the history of this type of activity in various parts of the world and especially in North America.

State lotteries have a long history in Europe. The one best known in Canada is the Irish Sweepstakes. The state accepts some responsibility for its operation, but this lottery is essentially a private undertaking. The small group of owners have become quite wealthy, most of them being millionaires. We shall see in a later section the relation of this lottery to charity.

The British Premium Bond Lottery, in which the capital is not involved, only the disposal of interest, was expected to attract large sums of money and thus be a "savings" feature in the fiscal policy of the United Kingdom. This hope has not been realized, as indicated by the fact that only 2% of the

United Kingdom gambling money can be listed under the heading of the Government's Premium Bonds Interest Lottery. In other words, the United Kingdom gambling statistics for 1962 was almost £ 1,000,000,000; the total for the Premium Bonds Lottery was a mere £ 15,000,000.

Legalized Lotteries have had a dark history on this continent. The Louisiana Lottery of some years ago was the culmination of many smaller lotteries. Considerable corruption developed and even the structure of the State government was endangered. This situation was so serious that almost every State in the Union wrote into its Constitution an anti-lottery section. Nevada is the exception; but we also discover that Nevada's crime rate is double and its suicide rate triple the national average. Recently New Hampshire has favoured a state lottery on a heavily controlled and limited scale. The legalizing of lotteries in New Hampshire raises such questions as the use of the mails for gambling purposes and the pouring of money from other states into New Hampshire for gambling purposes.

When Thomas E. Dewey was Governor of New York he took a strong stand against gambling, saying in part: "The entire history of legalized gambling in this country shows that it has brought nothing but poverty, crime and corruption, demoralization of moral and ethical standards and ultimately a lower living standard and misery for all people."

III

Crime in North America

The general subject of gambling, and lotteries in particular, must be understood in the light of the nature of the participants and the community in which this activity is carried out. It is to be noted that the United Kingdom is a homogeneous population, with a long history of respect for law.

Only recently have gangs of criminals appeared in London, and these on a much smaller scale than on this continent.

In North America there is a mixed population, with a continuing pioneer psychology. The people of this continent have a long record of hard work, hard play, hard drinking and hard gambling. Moreover, North America has had, and continues to have a difficult time with law enforcement. North America has had a bad history of gangdom and crime syndicates.

Increased gambling always proves attractive to highly organized and powerful crime syndicates. Attorney General Robert Kennedy, who has headed a campaign against organized crime in the United States, wrote in the Atlantic for April 1962, "No one knows exactly how much money is involved in gambling in the United States...What we do know is that the American people are spending more on gambling than on medical care or education; that in so doing they are putting up the money for the corruption of public officials and the vicious activities of the dope peddlers, loan sharks, bootleggers, white slave traders and slick confidence men...This investigation this past year by the F.B.I., the Internal Revenue Service, the Post Office Department and all other Federal investigative units has disclosed without a shadow of a doubt that corruption and racketeering, financed largely by gambling, are weakening the vitality and strength of this nation."

It would be the height of folly for Canada, at a time when the United States is alarmed at the peril to her national life caused by large-scale crime, to legalize gambling which would only invite criminal elements into our country. To suggest that legalizing such an evil as gambling will cure it, is to argue in terms of putting out a fire with gasoline.

IV

The Value of Licensing

It is contended that a license system, in and of itself, is a cleansing activity that produces the observance of the law, and reduces the extent of evil practices such as gambling. Undoubtedly the licensing of automobiles, for example, has had such positive results. But the licensing process runs into heavy water in any area in which large gains can be made illegally such as with gambling.

When the government of the United Kingdom decided to license off-track betting, the Christian Churches protested, claiming that this move would result in a rapid multiplication of licensed premises. Government officials declared that this argument of the churches was in error. But the results of the new off-track betting licensing system, in operation for only a short time, has proven the churchmen to be right in their prediction. Within a few months, over 12,000 licensed off-track betting places were established, and at this date it is estimated that this number has risen to about 20,000.

Another example of a runaway licensing record is found in New York City's story of licensed bingo. There, also, the number of licenses skyrocketed, and in just over a year of operation well-founded charges of corruption were presented in the courts.

The word license is not a magic word. To too great an extent it stands for a wide-open door to a wide-open operation. In other words, when large dishonest profits are involved the word "license" is chiefly the name for a respectable cloak to cover non-observance of the law.

V

Lotteries vs. Sound Fiscal Policy

It is a well-known fact that most gambling is based on horse-racing. For example, almost £ 600,000,000 of the £ 1,000,000,000 recorded in the United Kingdom in 1962 were made on horse-races, and well over £ 100,000,000 more on greyhound racing. Comparative United Kingdom gambling statistics for 1961 and 1962 are as follows:

Turnover	1962	1961
Horse-racing	540,000,000	440,000,000
Greyhound Racing	115,000,000	125,000,000
Football Pools	85,400,000	101,448,000
Fixed Odds Football Betting	60,000,000	50,000,000
Bingo in Commercial Clubs	30,000,000	25,000,000
Premium Bonds (Interest Lottery)	15,400,000	13,484,000
Other forms (Fun fairs, etc.)	7,500,000	7,500,000
	£ 853,300,000	£ 762,432,000

It is a well-known fact that the two-dollar bet, or the price of a sweepstake ticket, is put up chiefly by persons who belong to the low income group. A U.S.A. state assembly-man, Joseph F. Carlino (See Christian Century, September 25, 1963, page 1180), made the following statement about any government plan to raise money by a lottery:

> "It is an ultra-regressive form of taxation, shifting a greater share of the burden for financing government upon those least able to afford it. It is a tax method providing less return, per taxable dollar taken, than orthodox revenue methods. Where introduced, it has led to massive increase in gambling, proving false the contention of its supporters that only those who now gamble would participate in a government-operated betting scheme. Such operations have had a serious impact upon the general economy, immediate in terms of declining consumer sales and long-range in terms of production, employment, and consumer savings."

Speaking in the United States Senate, Alexander Wylie of Wisconsin, (see the Christian Century, February 27, 1963), advised the new state of Alaska not to legalize gambling as an economic panacea. He said: "The idea that gambling will be a revenue raiser is an illusion. Every dollar

raised from such sources means $5.00 spent in higher police costs, higher court costs, higher penitentiary costs and higher relief costs."

In fact, race-track betting is really "a tax on the poor." It is costly to collect and, as noted above, is open to irregularities of many kinds.

VI

Revenues For Charity and Hospitals

One of the chief arguments used in favour of lotteries is that the money raised by this method could be used for charitable purposes. The best illustration of this argument is the Irish Sweepstakes where some of the proceeds go toward the upkeep of the Irish hospitals.

Let us look at the performance of the Irish sweepstakes (quoted from The Financial Post, October 12, 1963):

> "Ireland, after deducting expenses, distributes 75% of its sweepstake revenues as prizes and turns the remaining 25% over to the hospitals. This represents close to 20% of the money collected throughout the world.
>
> "From the 107 Irish sweepstakes run since 1930, the Irish Hospital Fund has received £ 61,000,000. Out of this the government has lifted 25% as a stamp tax in lieu of income tax which these hospitals would have expected to pay as a profit-making business.
>
> "This means that the annual average take for Ireland's hospitals from 1930 to 1962 has been about £ 1,423,000 or or only $4,270,000.
>
> "How far would this sort of money go in keeping Canada's hospitals operating? It costs about $800,000,000 a year to maintain the hospitals of this country. Another $80 to $100 million is spent annually on hospital construction and renovation.
>
> "<u>The painful fact is that a Canadian sweepstake equal to that created by Ireland for 33 years would keep Canadian hospitals going for only four days, and pay not a cent toward new construction.</u>"

A distinguished Canadian, Dr. Harvey Agnew of Agnew, Peckham and Associates states: "If only one-fifth of what is collected goes to the hospitals, we would have to raise $4,000,000,000. annually by sweepstakes to keep our hospitals running. Since Eire depends on other countries for the major contributions, we would have to take the world market away from it - which is unlikely."

The Criminal Code permits occasional bingo games for religious and charitable purposes. Some service clubs, but not the Kiwanis, claim that they would be unable to do their good works if prevented from raising money by raffles and lotteries. This is the old story that "charity covers a multitude of sin." Coupled with it is the argument that a good end justifies a doubtful means. We believe that bad means in the long run corrupt the noblest ends. We also believe that true charity is based on the unselfish desire to serve real need. Gambling, which appeals to personal greed and selfishness, will soon dry up the springs of charity.

It could be argued fairly that one of the bases of our free enterprise system is to determine the price of goods and services in terms of materials used and work done to produce marketable results. In other words, the free enterprise system rules out chance as an element in ordinary decent business. It is interesting to note that the Canadian Chamber of Commerce and the Better Business Bureau oppose the legalizing of lotteries.

It is also to be noted that Canadian Churches have opposed the use of charity to "cover a multitude of sins." The Canadian Council of Churches has consistently opposed the legalizing of gambling in any form. Cardinal Emile Leger of Montreal has opposed bingos and lotteries in his Diocese for many years. The Council of Service Clubs takes a similar stand.

It is significant that Provincial Hospital Associations, as well as the Canadian Hospital Association, have gone on record time after time, in opposition to financing hospitals by lotteries.

VII

The Inter-Parliamentary Committee Report

On July 31st, 1956, a joint committee of the Senate and House of Commons issued its report on lotteries. One of its major recommendations (see Section 59, page 75) is a prohibition of all lotteries, except some bingo games and service club raffles held occasionally.

In addition, this Committee stated in paragraph 36 of its report that the importation of foreign lottery tickets should be prohibited. It also stated that the position of government is not to foster harmful habits such as gambling, but rather to curb them.

Having in mind that this representative body, after some two years' study, has come out unanimously against state lotteries, and since conditions in our country have not essentially changed, and since this Committee's arguments are still valid, it would seem unwise for any governmental body to adopt an opposite action at this time.

VIII

Moral Aspects of The Argument

Although we have not concentrated on the moral aspects of gambling, we believe as a church, that stable government and a sound economic system must be founded on such moral principles as integrity, trust, justice, industry. National lotteries which are a form of gambling, would undermine these virtues and help to corrupt our national life.

We have seen an illustration of the corruption of national life in the history of modern Cuba. The gambling casinos in Havana under the British administration fed heavily by American money, were a major factor in that island's corruption that resulted in Castro's revolution. The U.S.A. has paid heavily for its gambling fun in Cuba.

The following quotation from the Times of London is worthy of serious consideration:

> "Morals have been discounted too long. A judge may be justified in reminding a jury 'This is not a court of morals.' The same exemption cannot be allowed public opinion without rot setting in and all standards suffering in the long run. There are plenty of earnest and serious men - who know that all is not well. It is time they put first things first...and returned to the starker truths of an earlier day..."

The prophet Amos reminds us of the moral basis of our communal and national life:

> "Let justice run down like waters and righteousness like a mighty stream."

IX

Conclusion

The United Church of Canada has appreciated this opportunity of expressing its views through us to this Committee on Taxation. We believe that the support of a National Lottery by the Province of Ontario would be a retrograde step contravening the principles of a sound fiscal and economic policy.

We wish to point out that the view of The United Church of Canada in opposition to National Lotteries is very similar to those of other religious bodies within the Canadian Council of Churches.

XI

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